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PARITY PRICES under the new law

THE AGRICULTURAL Act of 1949 includes the first important changes in the calculation of parity prices that have become effective since parity prices became a part of our agricultural legislation in 1933.

The important changes are (1) the substitution of an "adjusted" base price for the base period prices previously used and (2) the inclusion of cash wages paid hired labor in the calculation of the parity index.

Price Relations Dated

The old parity price formula was designed to give prices of individual agricultural commodities the same purchasing power that they had in some base period. For many of the major commodities, the base period was August 1909–July 1914. One of the major criticisms of this formula was that it not only determined a relationship between prices received and paid by farmers, but also determined the relationships among the prices of the various commodities sold by farmers. The relationships among the prices of some important commodities were based on a period which is now some thirty-five years out of date.

The new formula still bases the overall relationship between the prices farmers get and the prices they pay on the 1910–14 period but shifts the determination of the relationship among the prices of the various agricultural commodities to the 10 years preceding the year for which the parity prices are being calculated.

Once the base period price was determined, parity prices according to the old formula changed only as a result of changes in the parity index. Parity prices according to the new formula may change as a result of changes in the "adjusted" base price as well as changes in the parity index.

Let us examine first the adjusted base price and then the changes in the parity index.

Base period prices according to the old formula were the United States average prices received by farmers during the specified base period. Thus the base period price for whole milk was $1.60 per hundred pounds, for hogs $7.27 per hundred pounds, for wheat 88.4 cents per bushel.

There are two steps in calculating the "adjusted" base prices under the new formula. First, the average price of the commodity during the ten preceding years is figured. For milk, butterfat, beef cattle, and lambs wartime subsidy payments made to producers during the OPA period are included. In the second step, the average price for each commodity during the ten preceding years is divided by the average of the index of prices received (1910–14=100) for the same period.

For example, here is how "adjusted" base prices for 1950 for three commodities are calculated. The average of the index of prices received by farmers for the 1940–49 period was 202. The 10-year average prices for milk, wholesale, was $3.49 per 100 pounds; for hogs $15.20 per 100 pounds; and for wheat $1.49 per bushel. Dividing each of these prices by the 10-year average of the index results in adjusted base prices of $1.73 for milk, wholesale; $7.52 for hogs and $0.738 for wheat.

1950 Base is 1940–49

The 10-year period is always the immediately preceding 10 years. For 1950 the years 1940–49 are used. For 1951 it would be the years 1941–50.

The old parity index for commodities on the 1910–14 base was the index of prices paid by farmers for commodities, interest and taxes. This index measures the changes since the base period in the prices paid by farmers for commodities used in living and production, interest and taxes.

The Agricultural Act of 1949 provides that cash wages paid to hired farm labor be included in the parity index. The Bureau of Agricultural Economics has had an index of farm wage rates for several years. This index has been combined with prices paid, interest and taxes to obtain the new parity index of

prices paid, interest, taxes and farm wage rates.

In calculating the old parity index, the average quantities of goods purchased per farm for production and family maintenance during 1924–29 was used to determine the weights used in combining the prices of the various commodities into the over-all index.

At the same time that farm wage rates were added to the parity index, it seemed advisable to undertake a complete reexamination of the index. It was determined that although the 1924–29 average quantities were satisfactory for the earlier years, a later period would be more nearly representative of current conditions.

Old and New Parity Prices

January 15, 1950

Commodity	Unit	Old parity [1]	Agricultural Act of 1949		
			Parity on basis of formula [2]	Transitional [3]	Effective parity [4]
		Dollars	*Dollars*	*Dollars*	*Dollars*
Basic commodities:					
Wheat	Bushel	2. 13	1. 84		**2. 13**
Corn	do	1. 55	1. 43		**1. 55**
Cotton lint	Pound	0. 2988	0. 2771		**0. 2988**
Rice	Bushel	1. 96	2. 22		**2. 22**
Peanuts	Pound	0. 116	0. 0931		**0. 116**
Designated nonbasic commodities:					
Milk, wholesale	Hundredweight	3. 86	4. 31		**4. 31**
Butterfat	Pound	0. 634	0. 690		**0. 690**
Wool	do	0. 441	0. 500		**0. 500**
Tung nuts	Ton		100. 00		**100. 00**
Honey, wholesale:					
Extracted	Pound	0. 173	0. 165	0. 164	**0. 165**
Comb	do	0. 306	0. 289	0. 291	**[5] 0. 291**
Potatoes	Bushel	1. 76	1. 53	1. 67	**[5] 1. 67**
Other nonbasic commodities:					
Hogs	Hundredweight	17. 50	18. 70		**18. 70**
Chickens	Pound	0. 275	0. 284		**0. 284**
Eggs	Dozen	0. 518	0. 451	0. 492	**[5] 0. 492**
Oats	Bushel	0. 962	0. 809	0. 914	**[5] 0. 914**
Barley	do	1. 49	1. 21	1. 42	**[5] 1. 42**
Flaxseed	do	4. 07	4. 26		**4. 26**
Soybeans	do		2. 49		**2. 49**
Beans, dry edible	Hundredweight	8. 12	8. 32		**8. 32**
Beef cattle	do	13. 10	16. 90		**16. 90**
Lambs	do	14. 20	18. 60		**18. 60**
Oranges	Box	3. 60	2. 07	3. 42	**[5] 3. 42**
Grapefruit	do	1. 96	1. 11	1. 86	**[5] 1. 86**
Apples	Bushel	2. 31	2. 59		**2. 59**

[1] Computed by the formula in effect prior to Jan. 1, 1950. See text.

[2] 1940–49 average price for each commodity divided by the 1940–49 average index of prices received by farmers (202) and the result multiplied by the Jan. 15, 1950, index of prices paid by farmers including interest, taxes, and wage rates (249).

[3] Transitional parity prices for 1950 are 95 percent of the parity price according to the old formula.

[4] For basic commodities the old parity or the new parity whichever is higher. For nonbasic commodities transitional parity or new parity whichever is higher.

As a result of this examination, the new parity index has been completely revised. In addition to farm wage rates, prices of many additional commodities have been included. For the period since 1935, the relative importance of the various commodities in the index has been based on average purchases per farm during the period 1937–41. This results in an index of prices paid by farmers including interest, taxes, and farm wage rates as of January 15, 1950, of 249.

According to the old formula, the parity price for milk, wholesale, was the base price of $1.60 per 100 pounds times the index of prices paid, interest, and taxes. Since the old index was 241 in mid-January, the parity price was 241 percent times $1.60 or $3.86 per 100 pounds.

By the new formula, the parity price for January 15 was the "adjusted" base price of $1.73 per 100 pounds times the index of prices paid including interest, taxes, and farm wages of 249 percent. Thus, the new parity for milk was $4.31 per 100 pounds.

Although the law provides a new general definition of parity, there are restrictions on its application to some commodities. For the basic commodities, wheat, cotton, corn, peanuts, rice, and tobacco, the parity price until 1954 cannot be less than the parity price according to the old formula. In effect, this means that the effective parity price for these commodities will be the old parity or the new parity, whichever is higher. There is a further stipulation that no changes be made in weights and factors used to make up the parity index in calculating parity prices according to the old formula.

It appears that the parity prices according to the old formula will continue to be used for wheat, cotton, corn, and peanuts and that the parity prices according to the new formula will be used for rice and tobacco.

For nonbasic commodities, there is a provision that the parity price cannot be less than the transitional parity price. The transitional parity price is the parity price according to the old formula reduced by 5 percent for each full calendar year that has elapsed since January 1, 1949. The transitional parity price will continue in effect until it is less than the parity price according to the new formula. This would mean that transitional parity prices would be 95 percent of the old parity price in 1950, 90 percent in 1951, 85 percent in 1952 and so on.

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Outlook Highlights

. . . FEBRUARY 1950

Economic Roundup for 1949

Enough figures are now available to give a pretty good picture of what happened in the United States economy last year. With a few exceptions, the important measures of economic activity registered declines with the sharpest occurring in the agricultural yardsticks.

Over all, economic activity in 1949 was not far below the boom year of 1948. The value of all goods and services produced amounted to 258.7 billion dollars, only 1½ percent below 1948. The flow of income to consumers amounted to only slightly less than in 1948 and because of income-tax reduction, consumers actually had a little more to spend. For farmers, though, the income picture was not so bright. Realized net of farm operators dropped off 15 percent from 1948. Consumers continued to spend their income in 1949 at about the same rate as the previous year.

Industry produced about 8 percent less goods in 1949 than in 1948. Biggest drop occurred in the summer. Output then picked up and was continuing to gain as the new year began. New construction continued a bright spot in the business picture. The value of new building begun last year reached a record 19.3 billion dollars, 3 percent more than a year earlier. Employment, both farm and nonfarm,

(Continued on page 14)

Wheat for Feed
on excess acreage

WE HAVE been producing more wheat in this country in recent years than we can expect to sell at profitable prices here or abroad over the long run. There seems little doubt that we face market gluts of record proportions unless we bring our production into line with demand.

Wheat farmers already are in the adjustment period. Allotments for the 1950 crop call for a planted acreage of approximately 73 million compared with the record of 83.3 million acres planted for the 1949 crop. Estimates of the acreage reduction we must eventually make to bring wheat supplies in line with the market range as high as 20 million.

To supply information that can be used as a guide by farmers in making needed adjustments in wheat acreage, a large amount of research is being done by State and Federal agricultural agencies. One line of inquiry that has produced fruitful results concerns the use of wheat for livestock feed. The study was made by the Kansas State Agricultural Experiment Station and the Bureau of Agricultural Economics under the Research and Marketing Act. The investigation was confined to hard red winter wheat farms in Western Kansas but the results, with some modification, can be applied to other wheat areas.

Wheat a Good Feed

Wheat is most commonly thought of as a human food, but some is fed to livestock every year. Heaviest wheat feeding usually has occurred in depression years when wheat prices dropped near those of corn. During the war when we had a wheat surplus, Governmental subsidies encouraged wheat feeding. Quantities fed in those years ranged from about 290 million to a record of nearly 500 million bushels.

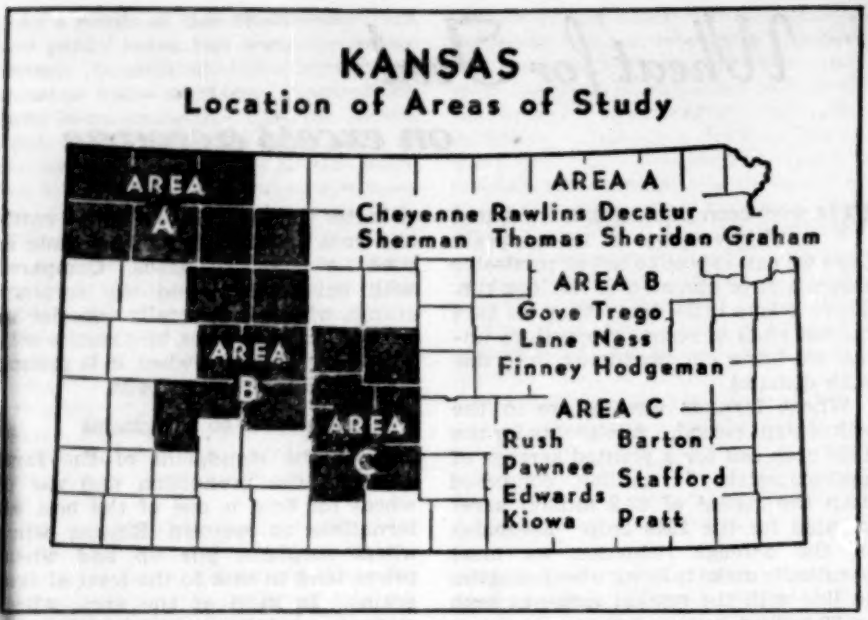
Past studies show that wheat is a good feed when fed in suitable quantities. Pound for pound, it is as good or better than corn for fattening cattle and hogs and poultry, but not quite as good for fattening lambs. Compared with oats, barley and the sorghum grains, wheat is generally superior as a feed. In most cases, best results with wheat are obtained when it is ground and mixed with other feeds.

Superior to Sorghums

From the standpoint of the farm operator, the production and use of wheat for feed is one of the best alternatives in western Kansas when wheat surpluses pile up and wheat prices tend to sink to the level of feed grains. In most of the area, wheat as grain produces more feed value per acre than other feed grains. In addition, wheat is easier to store than sorghums, its costs of production are lower and it has considerable value both as winter pasture and as a winter cover for the land.

In order to study the effect on farm income of various ways farmers might meet a future situation in which wheat is in surplus, several assumptions concerning prices and costs were made. For example, it was assumed that the index of prices and costs were made. For example, it was assumed that the index of prices paid by farmers for production items would be somewhat higher than in 1925–29. Except for somewhat more favorable livestock prices in relation to feed prices, the level of prices received by farmers would be similar to that of 1925–29. Hogs, for example, would bring $11.61 per hundred pounds, choice steers and calves $15.88 per hundred, barley 63 cents a bushel and grain sorghums 73 cents per bushel.

In this "surplus situation" it also was assumed that we would have a marketing program in effect which would limit amounts of wheat sold for food but would permit wheat to be grown on excess acreage for livestock feed. The price for wheat sold for food would be



$1.22 per bushel; that sold for feed, 87 cents per bushel. At the feed price, the value of wheat as feed would be equal to that of grain sorghums priced at 73 cents a bushel. Sorghum grain would be the principal competitor of wheat as a feed crop in Western Kansas.

Not a Forecast

These assumptions are not, of course, a forecast that prices and costs will fall to these levels. They were selected only as a basis for appraising the alternatives western Kansas wheat farmers would have in a period with wheat surpluses and with price relationships similar to those during the period between the two wars.

Using these price and cost assumptions, some of the alternative uses of excess wheat acreage were studied for typical wheat farms in three farming areas in western Kansas, A, B, and C. (See accompanying map.)

For farms in area A which do not have enough summer-fallow to get a maximum wheat production over a period of years, fallow is one of the best alternative uses of excess wheat acreage. These farmers could place excess acreage in fallow without any sacrifice to their incomes.

Many farmers who already have sufficient ground in fallow, however, are largely limited to either leaving their excess wheat land idle or putting it into feed crops or in wheat to be used for feed. Putting excess acreage into wheat to be sold as feed would be feasible from the standpoint of the farm operators in area A. Grain sorghums would be a close second but farmers generally prefer to grow wheat because they already have the equipment and experience necessary.

Livestock Program Better

A more satisfactory method of meeting a surplus wheat situation would be to feed wheat grown on excess acreage to livestock. This would provide a slightly higher income than selling wheat for feed on the market, would permit greater diversification and better utilization of the labor of the farm operator during the winter, and would avoid increasing our supplies of feed grains.

Under the price and cost assumptions we have made, feeding wheat to hogs

would be a little more profitable than feeding it to beef cattle. Moreover, less care and preparation is necessary in feeding wheat to hogs than cattle. The hog enterprise would involve less risk in years of severe drought than the cattle enterprise.

Cattle feeding has advantages that may appeal to many farmers in area A. It requires less labor than raising hogs. The type of cattle purchased and the type of feeding can be changed yearly if price changes make it desirable.

Roughage Reserve Needed

Cattle production probably is the best alternative for the farmer with enough pasture to provide summer grazing. In this case, excess wheat acreage could be used either to produce grain or roughage, according to market conditions for slaughter animals. Such an operation would require a substantial reserve of roughage because of the large fluctuations in yields in western Kansas. In some instances, these farmers might profit by including feed lot operations as well as wintering programs in their farm plan in order to get maximum use of their feed grain, wheat pasture, and roughage.

For farms with sufficient native pasture, two types of cattle enterprises are recommended: the permanent beef herd for the production of either slaughter or feeder calves; and the buying of calves or yearlings in the fall, wintering them, running them on native pasture the next summer and then putting them in the feed lot for 100 days in the fall. The second method is more profitable under the assumptions we have made and offers greater opportunities for adjustments to price changes. The permanent herd, on the other hand, involves less price risk and it is a more stable enterprise if roughage reserves can be maintained.

In addition to hog and cattle enterprises, poultry and sheep also offer good possibilities as alternative enterprises for the utilization of wheat or other feed crops grown on excess wheat acreage on farms in area A.

In area C, two methods of using excess wheat acreage were studied. In one case, wheat produced on excess acreage would be sold for feed at 87 cents per bushel. In the second, a hog enterprise consisting of three sows farrowing twice a year would be added to consume wheat produced on excess acreage.

The second method gave about 15 percent higher net income to the operator than the first. However, the hog enterprise requires a larger investment in buildings, equipment and livestock and considerably more labor. Beef cattle feeding probably would work out about as well as the hog enterprise on many farms in this area.

Sorghums Best in Area B

The third area studied is type-of-farming area B. Here grain sorghums generally produce more feed value per acre than wheat. Therefore, production of wheat for feed does not appear to be a feasible alternative.

The decisions individual farmers make to gear wheat production to market prospects will have a vital effect on their economic health. This study indicates that the production of wheat for feed on the excess acreage has definite possibilities. Not all farmers in the Great Plains wheat belt would find it feasible, of course. But for farms similar to those in western Kansas, the use of wheat for feed deserves a place in the long-range thinking of operators.

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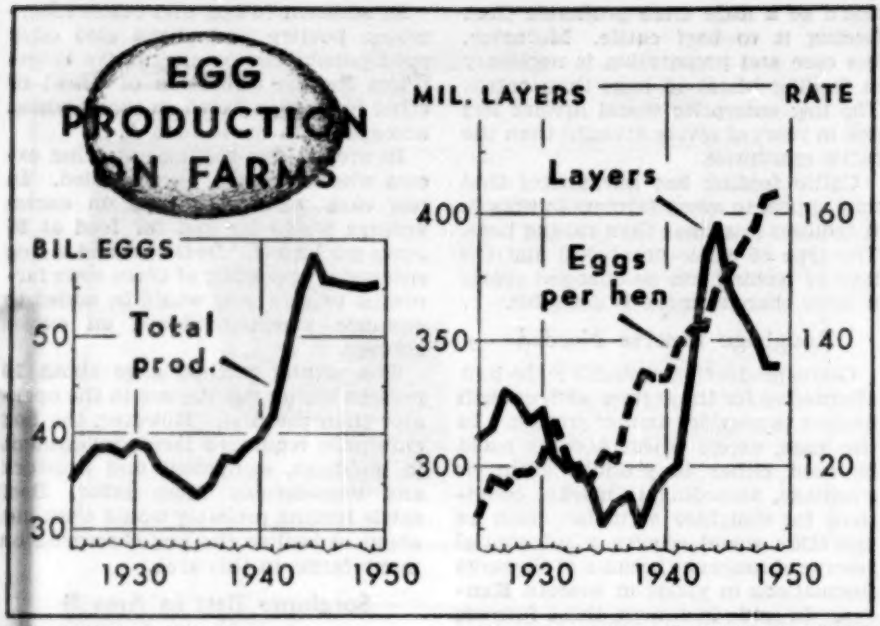

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Hens Double Winter Output

THE MODERN hen is a much more efficient egg producer than was her ancestor of 25 years ago. Even more important to poultrymen is the fact that the hens of today lay about twice as many eggs during the fall and winter months as the hens of 1925.

The chart above shows the dramatic increase in egg production over the last quarter century, most of which is due to the fact that it now takes only two hens to lay the eggs that three hens produced in 1925. The Nation's laying flock averaged 340,202,000 hens in 1949, only 9 percent larger than 25 years ago. But total egg production jumped 61 percent to 56,236,000,000 eggs. In other words, 85 percent of the increase in egg production resulted from a 47 percent higher rate of lay per bird and only 15 percent from the increase in the number of layers.

Not only are hens producing many more eggs today than a quarter of a century ago, but the seasonal pattern of production has changed drastically. Although more eggs were laid in every month of 1949 than in 1925, the largest increases came during the winter. Here is how the number of eggs laid per hen in 1949 compared with 1925 by quarters:

	1st	2d	3d	4th
1925	27	44	27	14
1949	46	49	35	35

The leveling out of egg production over the seasons of the year is brought out in the chart on the next page.

Several factors are responsible for the increased efficiency of the hen as an egg producer and it is difficult to determine which has been the most important. Contributing to the increase in the rate of lay are more careful selection and breeding to improve egg laying strains, better sanitation, improved housing and better feed and feeding practices.

Two important factors in the marked increase in the rate of lay during the winter months are widespread adop-

tion of incubators and the use of lights in laying houses to lengthen the hen's "working" day. Earlier hatching starts pullets off to an earlier laying season and longer days increase their feed intake.

Changes in egg production have benefited both producer and consumer of eggs. The income of poultrymen from eggs has increased in greater proportion than their egg production because they now produce a larger percentage of eggs during the months when egg prices are relatively high. At the same time, a more even seasonal distribution of egg production has brought relatively lower winter egg prices to consumers. Consumers also are getting more fresh eggs during the winter than formerly. Storage requirements have declined rapidly. Holdings of shell eggs in 1949 were the lowest in 33 years of record.

The increased efficiency of the laying hen has been primarily responsible for the tremendous growth of the commercial broiler industry since 1934. At that time, the country depended for its poultry meat on farm flocks which were kept mainly for egg production. This meant that young chickens were available in quantities only at certain seasons of the year. Young chicken prices were relatively high and chicken was considered a luxury.

As the rate of lay rose, it took fewer layers to produce the same number of eggs. Therefore, relatively fewer chickens were raised to maintain laying flocks and the supply of chicken meat became relatively smaller.

To meet this deficit in farm chicken production and the increasing demand for young chickens, the commercial broiler industry grew by leaps and bounds. In 1948, the industry accounted for 29 percent of the chicken meat produced compared with only 4 percent in 1934. The consumer can now buy fresh young chickens the year round at reasonable prices. Consumption per person has risen from 18.8 pounds in 1934 to 23 pounds in 1948.

The changes in egg production of the last quarter century have not yet run their course. Poultry production experts expect the rate of lay to gain for some years to come. They are particularly encouraged by results being obtained from cross-breeding to get more thrifty and higher egg laying strains.

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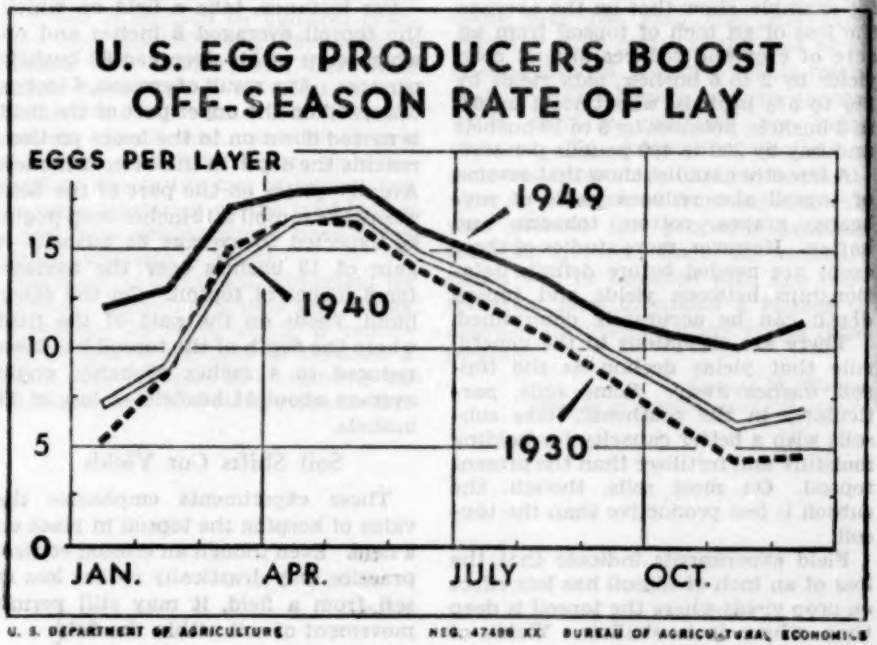

CONSERVATION PROBLEM:

1 Inch Topsoil = ? Bushels

NEARLY everybody these days recognizes the necessity of preventing the wasting away of our national land resources through erosion. No other group realizes this more keenly than farmers to whom the land is a means of making a living rather than merely a "natural resource."

A farmer who is undertaking an erosion-control program on his land is up against a highly personal dollar and cents problem. He needs to know how continued erosion will affect his income and which erosion-control measures will pay on his farm.

Recent studies of the relationship between topsoil depth and crop yields offer one means by which farmers may evaluate the effect of erosion. Soil scientists have found that in many areas the loss of an inch of topsoil has a predictable effect on crop yields.

Yield Losses From Erosion

Experiments in the Northern States, for example, show that on the average the loss of an inch of topsoil from an acre of cropland reduces annual corn yields by 2 to 6 bushels, oats yields by 1½ to 5½ bushels, wheat yield by 0.7 to 3 bushels, potatoes by 5 to 10 bushels and hay by 200 to 400 pounds per acre.

A few other studies show that erosion of topsoil also reduces yields of soybeans, grapes, cotton, tobacco, and barley. However, more studies of these crops are needed before definite relationships between yields and topsoil depth can be accurately determined.

There are exceptions to the general rule that yields decline as the topsoil washes away. Some soils, particularly in the southeast, have subsoils with a better capacity for holding moisture and fertilizer than the present topsoil. On most soils, though, the subsoil is less productive than the topsoil.

Field experiments indicate that the loss of an inch of topsoil has less effect on crop yields where the topsoil is deep than where it is shallow. Yields of corn on land on which the topsoil was 11 inches deep ran about 3 bushels per acre less than on land on which the topsoil was 12 inches deep. On land with 3 inches of topsoil, however, corn yields averaged 5 to 6 bushels less on land with 4 inches of topsoil. Small grain yields are even more drastically affected by topsoil depth.

Keep Topsoil in Place

These experiments indicate the importance of keeping the topsoil as evenly distributed over a field as possible. If topsoil from the higher part of a field is eroded and deposited on a lower area, the total productivity of the field will be lowered. Thus, topsoil which is washed down into the low part of a field is much less productive in its new location than it was back on the upper parts of the field. This is true even though it would be good farming to fill in a gully in the lower part of the field.

For instance, take a field on which the topsoil averaged 8 inches and on which corn yields averaged 68 bushels per acre. As a result of erosion, 4 inches of topsoil on the upper part of the field is moved down on to the lower portion, making the depth in this area 12 inches. Average yields on the part of the field where the topsoil is 12 inches deep might be expected to average 81 bushels—a gain of 13 bushels over the average for 8 inches of topsoil. On the other hand, yields on the part of the field where the depth of the topsoil has been reduced to 4 inches probably would average about 51 bushels—a loss of 17 bushels.

Soil Shifts Cut Yields

These experiments emphasize the value of keeping the topsoil in place on a field. Even though an erosion control practice may drastically reduce loss of soil from a field, it may still permit movement of soil within the field.

Usually it takes several years for an inch of topsoil to be eroded away. An inch of topsoil over an acre of land weighs about 150 tons—enough to fill three railroad coal cars. A ton of topsoil equals about 1 cubic yard. Where drainage ditches carry off topsoil, there is a double loss since crop yields are reduced and ditches or stream channels must be cleaned out or bottomlands may become flooded.

Erosion a Permanent Loss

The Soil Conservation Service has estimated soil losses per year for Iowa average about 23 tons per acre, for Illinois nearly 10 tons and for Ohio about 6 tons. On many farms, erosion losses are much higher—and a large share of this eroded soil is the valuable topsoil removed by sheet erosion.

Once the topsoil is gone, there is no way of regaining the productive capacity that vanishes with the topsoil. Crop yield studies on about 40 types of soils in 10 northern States indicate that the original material out of which a soil is formed determines the inherent productive capacity of that soil. Each inch of topsoil with its accumulation of humus and plant nutrients adds to the expected yield. Total yield of a soil is affected by cultural practices and physical conditions such as rainfall and temperature, but these factors have little or no effect on differences in yields resulting from variations in topsoil thickness. Treatment of the soil may help replace yield reductions due to the loss of topsoil, but the same treatment on the land before it had been eroded would have given similar increases in yields.

Elimination of all soil movement by erosion is seldom practical and rarely advocated. In most areas, a reduction in annual soil loss of between 2 and 5 tons per acre is considered an attainable and satisfactory goal. But it would require changes in farming practices on most farms. Often it would mean changes in rotations to include more acres of grass and hay crops and fewer acres of row crops. Strip cropping, contour farming, and terraces also may be needed.

Each farmer who is considering erosion control is faced with the problem of deciding how much he can afford to keep his topsoil in place. Failure to end or slow down the loss of his topsoil will mean a steady decline in the capacity of his land to produce. The loss in yields will not be matched by a proportional drop in production costs since seed, planting, cultivating, and harvesting cost about as much when yields are low as when they are high. Some costs such as those for plowing and cultivation may even rise as ditches and gullies are eroded in the fields.

Soil Loss Lowers Land Values

A decline in production coupled with little or no decline in production costs would mean a greater decline in net income than in gross over the long-run. Reduced income would be reflected in the value of the land.

Against the prospects for loss of income over the long run, the farm operator must compare the cost of an erosion control program. This might include a temporary loss in income while farming practices are being changed. To determine whether a proposed program is likely to be profitable, an analysis of farm income with and without the proposed program may be needed. Such an estimate might well be included with any conservation plan to enable a farmer to appraise its ultimate effect on his farm income.

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Improving Your Home?
Here Are Ways To Get

The Most for Your Money

If you have definitely decided to go ahead with your plans to improve your home, your next problem is much the same as if you were going to buy a new suit, a tractor, or a new sewing machine—it's the old problem of getting the most for your money.

Generally, the opportunities for cutting costs on a house improvement job falls into two classes: The first is driving as good a bargain as possible on materials and labor. The other, unless you are one of the fortunate who can pay cash, is getting the best credit terms available.

Start With a Plan

Your opportunities for cutting down on the costs of materials and labor will depend a great deal on how well you have planned your remodeling project. If the improvement involves structural changes in your house such as cutting new doors and windows, changing partitions or adding a room, scale drawing will be very helpful.

Drawings clearly show the relation of the parts to the whole and may indicate desirable changes in the original plans. It costs less to move a partition or change the location of a door while the plan still is on paper than after construction is under way.

A well thought out plan also will give you a good idea of how much material from your farm can be used in the construction. If the improvements call for stone, sand and gravel, you often can get them from your farm or that of a neighbor. You also may be able to save considerably on lumber by getting some of it from trees on your farm.

You also may be able to reduce out-of-pocket expenses by using your farm tractor, truck, team and wagon, electric power saw or other equipment. Families often can cut labor costs by doing such jobs as hauling supplies, excavating and painting during periods when farm work is slack.

Once you have decided how much equipment and materials you need, your chances of cutting costs to a minimum are improved if you shop around to get the best values. Get cost estimates from as many sources as possible—the contractor or boss carpenter, the mason, lumber dealer, electricians, plumbers, heating contractors, dealers in equipment and building supplies, the local purchasing cooperative if your community has one. By comparing merchandise and prices you may be able to make substantial savings.

Shopping for labor, as well as materials, also is profitable. If the job calls for special skills, you will probably find it worthwhile to employ competent carpenters, mechanics or masons. Skilled workmen often charge no more than the less skilled. Even if they do, their ability to turn out good quality work in a minimum time may save money.

Shopping for Credit Pays

Once you have planned your improvement project and have carefully estimated costs, you need to decide whether to use credit to finance the improvement. Shopping for credit as for materials and labor often results in substantial savings. Interest charges vary considerably from lender to lender and you might do well to talk with several. If you already have established your credit with a particular lending agency, however, you may find that you can get a lower interest rate there than from someone with whom you have had no previous dealings.

Among the private lenders from whom you may be able to get credit are banks, mortgage companies, building and loan associations, and personal finance companies. You may be able to obtain long-term loans at favorable terms from a neighbor, relative or some other individual.

It also is worth your while to investigate the credit terms of Govern-

ment-sponsored lending agencies. The Federal land banks, Production Credit Associations and the Farmers Home Administration make loans to farmers for housing improvement. Farmers Home Administration, also administers the provisions of the Housing Act of 1949 which apply to farmers.

Insured Loans

In addition to loans made directly by Government sponsored agencies, three Government agencies insure or guarantee loans made by lenders to farmers for housing improvement. The Federal Housing Administration and the Farmers Home Administration insure loans. For veterans of World War II, loans guaranteed by the Veterans' Administration are available. The VA also has an insured loan program.

Aside from the interest rate, two important things to think about are how long the loan is to run and what kind of repayment plan would best fit your needs.

If you do not need to borrow more than a few hundred dollars, and can repay the loan in a few years a short-term loan probably would be to your advantage. The shorter the term of the loan, the less interest you will have to pay. Some lenders make short-term loans with no other security than the borrower's note. Others require a chattel mortgage as collateral.

Farm families who need to borrow $1,000 or more for home improvement may find a long-term loan better. Most lenders making long-term loans to owner-operators for extensive improvements require a mortgage on the farm or other real estate as security. If the farm already is mortgaged, the family would do well to try to get an increase in the existing mortgage rather than to give a second mortgage.

Repayment plans for loans fall into two main classes: straight and amortized. Practically all straight loans provide for making interest payments at regular intervals, usually annually. Plans for repaying the principal vary. Some make no provision for repayment of any part of the principal until the note matures. Others specify that a certain amount is to be paid at certain dates.

The family that obtains an amortized loan agrees to repay its debt on the installment plan. Usually interest and the installment on the principal are combined into a single payment at the end of the month, quarter, year, or some other period.

Most amortized loans are repaid on the level-payment basis so that the same amount is due each payment period. Another type calls for a fixed payment on the principal at each repayment period plus the interest due. This is called the level-principal payment plan. The first several payments are larger than with loans amortized on the level-payment plan. Later on, the payments are smaller.

Some farm families prefer the straight loan because only the interest must be paid while the loan is in effect, thus giving them use of their surplus funds for other purposes. Others prefer an amortized loan because they find it easier to pay off a debt by installments rather than in one lump sum. Another advantage of the amortized plan is that you pay less interest since you are reducing your principal.

Businesslike Practices

Families using credit to finance housing improvements will find it to their advantage to follow sound business practices. A few recommended practices follow.

Specify in writing all materials to be used, jobs to be done and terms of payment. Thus both buyer and seller will know what is expected of them. Have all bills itemized and receipted as paid. Keep receipted bills in a convenient file.

Have a written record of amount of loan, length of term, date interest is due and plan for repaying principal sum. Make payments on loans when due. Families with a reputation for promptness in meeting their credit obligations find it easier to borrow money.

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For more information on this subject, see bulletin M. P. 701, "Using credit to finance farmhouse improvements." Write Office of Information, U. S. Department of Agriculture, Washington 25, D. C., for a free copy.

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		Jan. 15, 1949	Dec. 15, 1949	Jan. 15, 1950	Effective parity price Jan. 15, 1950 [3]
	Base period price 1910–14 [1]	January 1935–December 1939				
Basic commodities:						
Cotton (pound) ..... cents	[2] 12.4	10.34	29.27	26.80	26.47	29.88
Wheat (bushel) ..... dollars	[2] .884	.837	2.02	1.93	1.92	2.13
Rice (bushel) ..... do	.891	.742	[4] 2.36	1.94	1.96	2.22
Corn (bushel) ..... do	[2] .642	.691	1.25	1.13	1.15	1.55
Peanuts (pound) ..... cents	[2] 4.8	3.55	10.5	10.4	10.5	11.6
Designated nonbasic commodities:						
Potatoes (pound) ..... dollars	[2] 1.12	.717	1.66	1.31	1.36	[4] 1.67
Butterfat (pound) ..... cents	27.7	29.1	[4] 65.6	63.3	62.5	69.0
Milk, wholesale (100 lb.) ..... dollars	1.73	1.81	4.52	4.21	[5] 4.06	4.31
Wool (pound) ..... cents	20.1	23.8	48.3	46.7	47.2	50.0
Other nonbasic commodities:						
Barley (bushel) ..... dollars	[2] .619	.533	1.15	1.09	1.10	[4] 1.42
Cottonseed (ton) ..... do	26.30	27.52	65.70	43.30	43.60	65.50
Flaxseed (bushel) ..... do	1.71	1.69	5.75	3.53	3.64	4.26
Oats (bushel) ..... do	[2] .399	.340	.762	.692	.705	[4] .914
Rye (bushel) ..... do	[2] .720	.554	1.44	1.26	1.25	[4] 1.65
Sorghum, grain (100 lb.) ..... do	[2] 1.21	1.17	2.22	1.79	1.89	[4] 2.77
Soybeans (bushel) ..... do	1.00	.954	2.27	2.09	2.11	2.49
Sweetpotatoes (bushel) ..... do	.921	.807	2.36	2.02	2.15	2.29
Beef cattle (100 lb.) ..... do	6.78	6.56	20.00	19.00	19.40	16.90
Chickens (pound) ..... cents	11.4	14.9	30.7	22.3	20.3	28.4
Eggs (dozen) ..... do	[2] 21.5	21.7	47.1	40.5	31.3	[4] 49.2
Hogs (100 lb.) ..... dollars	7.52	8.38	20.10	14.80	15.10	18.70
Lambs (100 lb.) ..... do	7.48	7.79	21.90	21.00	21.60	18.60
Veal calves (100 lb.) ..... do	7.62	7.80	25.10	22.40	23.30	19.00
Oranges, on tree (box) ..... do	[4] 2.29	1.11	1.23	1.23	1.81	[4] 3.42
Apples (bushel) ..... do	1.04	.90	2.85	1.59	1.66	2.59
Hay, baled (ton) ..... do	8.71	11.20	24.70	21.90	21.90	21.70

[1] Adjusted base period prices 1910–14, based on 120-month average January 1940–December 1949 unless otherwise noted.

[2] Parity prices are computed under the provisions of title III, subtitle A, section 301(a) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Acts of 1948 and 1949.

[3] 60-month average, August 1909–July 1914. [4] Revised. [5] 10-season average 1919–28.

[6] Transitional parity, 95 percent of parity price computed under formula in use prior to Jan. 1, 1950.

[7] Preliminary.

(Continued from page 4)

averaged 58.7 million in 1949, 700,000 less than the year before.

Price trends pointed generally downward last year. Prices farmers receive led the way, averaging 13 percent below 1948. Wholesale prices were down 6 percent from 1948. Living costs of urban consumers stayed within 1 percent of the 1948 level. Prices paid by farmers for both family living and production items averaged about 3 percent below 1948.

A Cattle-Feeding Record

The spread between the prices of prime and choice steers and the lower grades has been very wide recently, mainly because of the small supply of well-finished cattle on the market. Later in the feeding season, the spread is likely to narrow as the supply of better grade steers increases and prices decline seasonally.

The record 4,552,000 head of cattle, on feed for market on January 1, was 22,000 more than a year earlier. All of the increase over last year occurred in the Corn Belt States and Texas. The number on feed in the Western States was 16 percent below a year earlier.

Cattle on feed at the beginning of this year averaged lighter than last year. Feeders also reported that they intend to market their cattle later than in 1949.

Cotton Use Above Year Ago

Consumption of cotton by domestic mills the first 5 months of the current season ran a little above the same period last year. Through the first 4 months exports totaled 28 percent higher than a year earlier.

So far, devaluation of many foreign currencies has had little effect on either our imports or our exports of cotton textiles. If this continues to be the case, domestic mill consumption probably

Economic Trends Affecting Agriculture

Year and month	Industrial production (1935–39=100) [1]	Total income of industrial workers (1935–39=100) [2]	Average earnings of factory workers per worker (1910–14=100)	Wholesale prices of all commodities (1910–14=100) [3]	Index numbers of prices paid by farmers (1910–14=100) [4]			Index numbers of prices received by farmers (1910–14=100) [4]			
					Commodities	Wage rates for hired farm labor [5]	Commodities, interest, taxes, and wage rates	Livestock and products			
								Dairy products	Poultry and eggs	Meat animals	All livestock
1910–14 average	58	50	100	100	100	100	100	100	100	100	100
1915–19 average	72	90	152	158	149	147	148	147	153	162	157
1920–24 average	75	122	221	160	159	181	168	159	163	121	140
1925–29 average	98	129	232	143	151	184	161	161	155	145	152
1930–34 average	74	78	179	107	117	121	124	105	94	83	91
1935–39 average	100	100	199	118	124	121	125	119	108	117	115
1940–44 average	192	[6] 236	315	139	148	211	152	169	145	166	162
1945 average	203	291	389	154	180	359	189	200	194	207	210
1946 average	170	[6] 276	382	177	197	387	207	207	197	248	241
1947 average	187	[6] 328	436	222	231	419	240	272	219	329	307
1948 average	192	[6] 354	472	241	250	442	259	300	235	361	314
1949 average	[7] 176		[7] 479	[7] 226	241	428	250	251	219	311	272
1949											
January	191	[6] 348	484	234	246	440	256	275	239	323	280
February	189	[6] 340	481	231	242		252	265	216	309	275
March	184	[6] 334	477	231	245		255	254	215	327	281
April	179	[6] 327	469	229	244	430	254	241	220	324	276
May	174	[6] 322	472	227	244		253	235	215	[8] 319	271
June	169	320	475	226	242		252	233	212	323	271
July	161	315	476	224	240	429	250	237	213	316	269
August	170	323	[6] 477	223	238		249	244	225	310	271
September	174	331	485	224	238		248	251	236	319	279
October	166	[7] 308	482	222	237	414	246	258	230	301	271
November	173		475	221	236		245	261	216	286	262
December	[7] 178		[7] 490	[7] 221	237		246	261	194	280	255
1950											
January					238	429	249	254	188	286	249

Year and month	Index numbers of prices received by farmers (1910–14=100) [4]								All crops and livestock	Parity ratio [9] [10]
	Crops									
	Food grains	Feed grains and hay	Tobacco	Cotton	Oil-bearing crops	Fruit	Truck crops	All crops		
1910–14 average	100	100	100	100	100	100		100	100	100
1915–19 average	193	161	183	175	201	126		171	164	111
1920–24 average	147	125	189	197	155	157	[9] 152	162	150	89
1925–29 average	141	118	169	150	135	146	145	143	148	92
1930–34 average	70	76	117	77	78	98	104	84	88	71
1935–39 average	94	95	172	87	113	95	95	99	107	86
1940–44 average	123	119	241	138	170	150	164	145	154	101
1945 average	172	151	360	178	228	244	207	203	206	109
1946 average	201	196	376	237	200	250	182	227	234	113
1947 average	270	249	374	272	363	212	226	263	275	115
1948 average	250	250	380	270	351	174	214	252	285	110
1949 average	219	170	398	245	242	199	201	223	249	100
1949										
January	233	186	404	246	294	199	256	239	265	104
February	223	171	404	245	262	198	267	234	255	101
March	226	176	403	242	261	207	235	232	258	101
April	229	177	403	251	256	225	196	234	256	101
May	229	174	403	252	245	239	194	235	253	100
June	213	168	404	253	232	235	155	225	249	99
July	209	171	404	253	219	217	168	221	246	98
August	205	165	400	246	241	181	170	214	244	98
September	211	166	393	250	227	160	188	212	247	100
October	213	161	396	241	221	180	174	210	242	98
November	215	157	369	233	220	172	213	210	237	97
December	219	168	394	223	225	174	196	210	233	95
1950										
January	218	170	382	222	228	185	261	219	235	94

[1] Federal Reserve Board: represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

[2] Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised January 1950. [3] Bureau of Labor Statistics.

[4] Revised January 1950. [5] Farm wage rates simple averages of quarterly data, seasonally adjusted.

[6] Revised. [7] Preliminary.

[8] Ratio of index of prices received to index of prices paid, interest, taxes, and wage rates. This parity ratio will not necessarily be identical to a weighted average percent of parity for all farm products, largely because parity prices for some products are on a transitional basis. [9] 1924 only.

Outlook Highlights

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will not fall below current levels for some time. Domestic mills generally are booked several months ahead. Some decline in exports is likely as the season progresses.

In mid-January, domestic cotton prices were at the highest level since early this season.

Plenty of Chicken

Chicken meat supplies will continue plentiful for some time. Storage stocks at the beginning of the year were much larger than a year ago. Although marketings of farm chickens have passed the seasonal peak, sales of broilers are likely to continue large in the next few months.

In the last month of 1949, average prices received by farmers for chicken were the lowest in almost 7 years. Large supplies of poultry and the relatively low prices of pork which competes with chicken at the grocery store will tend to hold chicken prices down in the next few months.

Slightly Larger Turkey Crop

Recent reports from turkey growers show that they intend to raise 1 percent more birds in 1950 than in 1949. If their intentions are carried out, the 1950 crop will be 5 percent below the 1945 record but 13 percent above the 1942–46 average.

Main reasons why growers intend to raise slightly more turkeys this year are: The rise in turkey prices after the Thanksgiving market, larger feed supplies at the lowest prices since 1945, the reasonable profit made in 1949.

Exports Drop

The United States exported about 15.8 billion dollars worth of goods and services in 1949, according to preliminary estimates. This is about 1 billion dollars less than in 1948.

Most of the drop occurred in the second half of the year. In the fourth quarter, the annual rate of exports amounted to 14.1 billion dollars, the lowest since 1946.

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